

The Director of Central Intelligence

Washington, D.C. 20505

5 December 1979

MEMORANDUM FOR: The President
The Vice President
Secretary of State
Secretary of Defense
Chairman, Joint Chiefs of Staff
Assistant to the President for
National Security Affairs

In view of the tension between Iraq and Iran and the possibility of military conflict, we have done a brief appraisal of Iraqi armed forces. A copy is attached.

/s/ Stansfield Turner

STANSFIELD TURNER

Attachment:

Copy No. 7

DCI/dlg (5 Dec 79)

Distribution:

- Copy 1 - President
- 2 - Vice President
- 3 - SecState (Copies 1-6 handcarried by DCI)
- 4 - SecDef on 6 December
- 5 - C/JCS
- 6 - Asst. for Nat. Sec. Affrs.
- 7 - ER

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Approved For Release 2005/01/13 : CIA-RDP80B01554R003300190041-5

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THE WASHINGTON POST
2 December 1979

VIP

The Mysterious Connections of John Ellsworth

By Maxine Cheshire

IT WAS AT a White House Christmas party in 1977 that First Lady Rosalynn Carter, standing beside the holly-decked mantle in the State Dining Room, was first introduced to a 300-pound, self-proclaimed Santa Claus named John Ellsworth.

Ellsworth—felon, forger and government informer on friends and foes alike—bears little resemblance to St. Nicholas.

But his con-man's eyes can be very merry and his expansive girth can shake like a bowlful of jelly when he tells you—as he first told Mrs. Carter—of his love for the little children of the world and this idea he had for circling the globe, dispensing the good things of life to deprived youngsters.

With that spiel, Ellsworth ensnared Mrs. Carter and later her son Chip into lending respectability to the International Children's Appeal, a questionable charity scheme that one participant has since described as "the scam of the century."

Who is John Ellsworth and how has he managed to cause so much trouble for so many people—including the Carters—and still ride around Manhattan in a chauffeured baby-blue Lincoln limousine, seeming to have no troubles of his own?

Ellsworth, a high school drop-out, has told people he once drove a taxi. Using the name John James he toured

with the Rolling Stones and appeared on camera in the film "Gimme Shelter."

Ellsworth says he got close to "Candidate Carter" in 1976 by going down to Plains with a camera crew to make a documentary movie for a "black union" he represented at the time. Plans to show the film on television never worked out, he says.

He got close to Rosalynn Carter with a similar ploy, he says. He got permission from the White House to do a documentary movie on the annual Christmas party for diplomats' children.

It was at that party that he first told her about the ICA. He promised to use it to raise money for her favorite charity, the "Cities in Schools" program which operates out of the Executive Office Building. ICA raised \$7,500 for "Cities in Schools" through one Isaac Hayes concert at Constitution Hall and in total, Ellsworth says, contributed between \$60,000 and \$70,000 to the project.

In exchange, Ellsworth got prestige money can't buy. He had business cards printed for ICA with Chip Carter's name on them, even though the president's son wasn't working for ICA. He was working for "Cities in Schools."

Ellsworth and a girlfriend attended the Egypt-Israeli peace treaty signing at the White House in March, an honor that greatly impressed those of his partners looking to continue expanding their operations in the Middle East.

These days, no one at the White House will answer any questions about Ellsworth or ICA or even return phone calls if they are told he is the subject of inquiry.

John Ellsworth and a group of other "independent businessmen" had formed an organization called the International Children's Appeal in New York, according to an ICA brochure, to "provide the fund-raising mechanisms" for agencies all over the world which wanted to support the United Nations International Year of the Child.

What Ellsworth didn't tell Mrs. Carter was that the "independent businessmen" associated with him included a number of organized crime figures who had one plan to solicit "donations" from top labor leaders and keep a percentage for themselves,

and another plan for ICA to sell toys manufactured by a New York factory that a law enforcement source says is a front for loan-sharking and narcotics operations.

The "independent businessmen" also included: • One partner who was a friend of PLO leader Yasser Arafat and had plans for taking over all hashish growing and trafficking out of Lebanon.

• One partner who had a scheme to kidnap the shah of Iran and use the ransom money to arm certain Third World countries.

• One partner with alleged American CIA connections who actually dealt in arms, with a "catalog" that included a "laser gun that can cut a tree in half."

• Partners who were drilling for oil in Ghana, building a hotel in Cairo and claiming Anwar Sadat's son-in-law as a co-investor, negotiating contracts to split \$2-million fees 50-50 with Muhammad Ali for a series of personal appearances in various Middle Eastern countries.

• Partners who were planning to use Carter administration contacts to produce a \$10-million television series about a presidential assistant who drops out and becomes a hitch-hiker.

Millions, possibly even billions, could have been made on the International Children's Appeal. One former associate of Ellsworth's claims that one deal alone was expected to bring \$400 million and "four of us were going to each take out \$10 million apiece as our share."

Ellsworth admits to having personally "blown \$2.8 million" on high-living since he started ICA. And he helped one of his partners wire-transfer another \$1.2 million to banks in Beirut.

"But it was our own money, made on legitimate business deals," he says. "It wasn't taxpayers' money and it wasn't the public's money. So whose business is it?"

John Ellsworth—whose alias in police files around the country include John Jaymes, Clifford J. Ellsworth and Thomas Fiorella—did not drop down the White House chimney three Christmases ago.

So how did he get there?

John Ellsworth and his activities for the past 11 years are well known to at least a half dozen U.S. government agencies, including the Secret Service.

By Ellsworth's own account, at least one member of President Carter's personal bodyguard recognized Ellsworth on sight as someone who had once been "reimbursed" \$2,500 by the

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MEMORANDUM FOR:

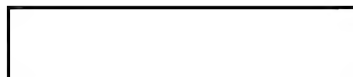


Have we yet arranged for ^{the} a group of businessmen to meet with in St. Louis. If not, I'll have to decide whether to go through my host at the last Business Council, John Hanley, or Bill Webster to do that. It seems to me we ought to get going on it. We've only 60 days.

Beyond that, we ought to look at the next one for March.

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Xerox to



Secret Service for "cooperating" in a counterfeiting investigation.

The agent expressed "surprise" at seeing Ellsworth socializing with the Carters, Ellsworth says, but did nothing more than caution him to "behave like a good citizen."

John Ellsworth does not like the word "informant." He prefers to describe himself as someone who has "cooperated" in the past with government investigators. He said he has "cooperated" at one time or another with the Secret Service, the Federal Bureau of Investigation, the Internal Revenue Service, the Drug Enforcement Agency, the Central Intelligence Agency and the Organized Crime Strike Force in the Eastern District of New York.

A DEA spokesman refuses to confirm or deny reports that Ellsworth has a DEA informant's file number. But the spokesman, Ted Swift, says there is "not a scintilla of truth" in a claim made by Ellsworth to a reporter recently that the ICA was actually a worldwide narcotics investigation "front" that had taken him and the government "five years to put together" and is still "ongoing."

The DEA did not alert the White House that Ellsworth might become an embarrassment to the Carters, Swift says, "because we didn't know anything about what he was doing."

But somebody in the government must have known and why they did not warn the White House remains a mystery.

The government has been making a lot of cases against Ellsworth's former friends and associates. Sixteen of them were indicted in New York in April on conspiracy charges involving marijuana, cocaine and hashish.

Another four have been arrested on extortion charges. One was "Joey the Priest" Calder of Brooklyn who is a business associate of known organized crime figures.

Ellsworth, who talked with a reporter for eight hours recently, confirmed that he had signed letters of agreement with "Joey the Priest" that would have given him and "his people" a cut from two different deals with ICA involving labor union donations and toys.

"Joey owns a part of this toy company," Ellsworth says. "I meet with him in a Chinese restaurant on 86th Street and he brings his lawyer and he says he can give us a monopoly on selling these stuffed toys to all the street festivals the church runs in New York. He was in the seminary, you know, that's how he got his name, and he brings me this real priest who guarantees the deal."

The charges against "Joey the Priest" last week involved topless bars and had nothing to do with Ellsworth or the ICA that Ellsworth admits knowing anything about.

Two other Brooklyn mobsters, James Eppolito and his son Jimmy, were shot to death in early October.

Some law enforcement sources have blamed the killings on the fact that the younger Eppolito's involvement with Ellsworth and ICA were attracting too much attention.

Young Eppolito, who had his picture taken here with Rosalynn Carter in April, at a luncheon for "Cities in Schools," was in charge of lining up "contributions" from labor leaders in the AFL-CIO and the teamsters and elsewhere, Ellsworth says.

Ellsworth claims to have had a telephone call after the killings, telling him not to get "too curious" and instructing him to "take care of" Jimmy Eppolito's widow financially.

Ellsworth laughs when told that many of his former employees at ICA are convinced that he himself is in no danger because it is widely believed in certain criminal circles that he "works for the CIA."

"Keep saying that," he says. It's true that he "once took a fall" for the agency, he claims, and they "owe" him. He won't tell the whole story, just dropping the facts that it involved a Russian spy ship that sailed into Galveston to pick up \$6-million worth of meat which Ellsworth was supposed to be selling to the Greek government and never did.

Ellsworth also claims to have tipped the CIA to the fact that their station chief was going to be assassinated in Athens six months before it happened.

He also claims to have assisted the Secret Service in preventing an assassination attempt against a former prime minister of Turkey at a New York hotel.

A lot of what Ellsworth says about himself is substantiated by reliable government sources and the rest can neither be proved nor disproved. When he came before a federal judge in Brooklyn in 1976 on a charge he later beat, "one or more government agencies" wrote letters in his behalf, saying that he had been of value to them in the past and would be again. The agencies are not identified in court records.

Three former employees of ICA claim Ellsworth bragged he caused Studio 54 its troubles with the federal government. Ellsworth had gotten into a fight with one of the disco's owners, Steve Rubell, when ICA took the place over for a Halloween fund-raiser in 1978.

Ellsworth just smiles and says things about "the wheel coming around" and "all of us getting what's coming to us."

But he still has connections.

Sitting in the Madison Avenue office of one of his lawyers two weeks ago, Ellsworth dialed from memory a lot of his contacts in government, the Secret Service and the Justice Department, talking to them while a reporter listened.

"Can you still dial into that government computer bank, John?" the lawyer asked, explaining to the reporter: "God! How I wish I had been in the collections business when he had that code and access. I mean to tell you this guy could find out anything about anybody from that computer."

Ellsworth explains that he no longer has direct computer access. "There were too many abuses," he says. "The wrong kind of people were using it."

5 December 1979

MEMORANDUM FOR: General Counsel
FROM: Director of Central Intelligence
SUBJECT: Comparison of Executive Orders

I would appreciate it if you would have one of your people very quickly do a rough comparison of President Ford's Executive Order and Executive Order 12036 with respect to the restrictions on intelligence. I'm not looking for a legal document, but simply a recounting of whether the Carter Executive Order is more or less stringent than the Ford Executive Order, and in which areas.


STANSFIELD TURNER

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Ex-Envoy Orlando Letelier

Manuel Contreras Sepulveda

After the 1976 car-bombing assassination of Letelier, Chilean spy chief Contreras was charged with directing the conspiracy.

other Communist giant, China, has introduced a new dimension into American efforts to counter "hostile" intelligence activities. Handicapped for more than 20 years by a lack of official representation in the U.S., China since 1971 has opened a permanent U.N. mission in New York as well as diplomatic establishments in Washington, Houston and San Francisco. Intelligence officers already have been detected within China's official contingent.

As with Moscow, the numbers are significant. After opening its liaison office in Washington in 1973 with a mere 10 officials, Peking is now planning a full embassy staff of 400. The FBI's Webster already is sounding the alarm about strains this influx is placing on his bureau.

Apart from the increase in China's official representatives, American counterintelligence officials are concerned about the rising number of Chinese students. Some 700 to 1,000 are expected in American universities this year, most in departments specializing in science and technology.

Because of its backward economic condition, Peking is thought to place heavy emphasis on industrial espionage. Suspected Chinese agents, for example, are known to be active in heavily ethnic areas of West Coast cities. A prime target area: The so-called Silicone Valley in California, a concentration of think tanks and defense contractors in the San Francisco vicinity. "Out there, the Chinese are talent spotters, looking for that guy they can use in the future," a knowledgeable expert explains.

American officials say the Chinese expend a great deal of energy probing what the U.S. knows about the Soviet Union. No scrap of information is considered too trivial by the Chinese when it comes to their archadversary. Long before the U.S. gave its approval for Moscow to engage in massive wheat purchases this year, the Chinese were busily collecting information about the deal. One persistent query: What price were the Russians willing to pay?

Refugee Flood Poses New Threat

Another component in the "hostile" espionage campaign is the flood of exiles and refugees reaching American soil. One recent spy prosecution resulted in the conviction of a Vietnamese expatriate, David Truong, together with Ronald Humphrey, a U.S. Information Agency official recruited to steal classified documents. The chief lawyer of the

nist Vietnam at the U.N., Dinh Ba Thi, who controlled this espionage operation, was expelled.

American officials believe that Vietnamese agents are planted among the flood of boat people arriving in the U.S. from Southeast Asia. There are also reports of espionage activities among other refugee groups.

Miami police say that Cuba's intelligence agency—DGI—is active in the South Florida exile community of nearly 750,000 Latins. The FBI reportedly has discovered Soviet agents among Jewish émigrés leaving Russia. Several have been "doubled," or persuaded to work as counterspies.

Although American counterespionage agencies concentrate on the Communist-bloc threats, they also are concerned about the wide-ranging operations of intelligence agencies of friendly nations.

A Senate Foreign Relations subcommittee chaired by Senator George McGovern (D-S.D.) reports evidence of brutality and even political murder by agents of authoritarian regimes such as Chile, and Iran under the Shah.

One active espionage agency that McGovern's panel and other U.S. officials have been reluctant to discuss, at least publicly: Israel's Mossad. A former U.S. official recalls that Israel's spies once obtained secret American reports on Arab military strengths. During the 1970s, FBI agents received much of their information on possible Arab terrorists from Israel's officials based in New York. Some U.S. intelligence agencies suspect Mossad was behind the disappearance of bomb-grade uranium from an Apollo, Pa., nuclear facility during the 1960s. Israel denies any role in that incident, which remains unsolved.

American agents speak of Mossad with awe, and its network of contacts within the official circles of Washington is unsurpassed. Mused one counterintelligence expert: "They have no need for blackmail or bribery to get what they want. Over a cup of coffee or a steak dinner, God knows what is passed to them."

If caution has characterized Israel's operations here, officials who have seen the McGovern panel's report say it outlines a far different pattern of behavior on the part of other allies or neutralist powers such as Yugoslavia.

Dragista Kashikovich, a Serbian émigré editor known for his denunciations of the Tito regime in Belgrade, was shot to death in Chicago two years ago. Senate probes found that the CIA may have had indications he was a target of Yugoslavia's secret service, the UID. But no conclusive link could be uncovered, and the case remains unsolved.

The McGovern study claims that Savak, the Shah's secret police, once plotted the assassination of Nasser Afshar, an American of Iranian origin who infuriated the monarch with his vocal criticisms. Partly because the potential assassin got cold feet, the plot was aborted.

In 1976, former Chilean Ambassador Orlando Letelier was killed in a Washington car bombing, leading to the indictment early this year of Manuel Contreras Sepulveda, a former head of Chile's DINA agency.

According to the McGovern study, the main goal of allies seems to be to control their own nationals living in this country. Often foreign agents simply monitor students or dissidents living in the U.S., taking photographs and keeping track of their movements. McGovern's report claims Taiwan enlisted four prominent Sino-American professors to observe Nationalist Chinese students. The study said that Iran's Savak also maintained an extensive network of informers on American campuses.

At times, the U.S. stumbles across Western European intelligence services. One case involved a NATO country that was reportedly using its intelligence services throughout a diplomat-